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Message Text

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66
ORIGIN EB-11

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DRAFTED BY EB/ORF/FSE:LRRAICHT:CJR
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EB/OT/STA - MR. KEMPE
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ARA/ECP - MR. REYNOLDS
ARA/MEX - MR. KING
EUR/CAN - MR. BROWN
---------- 008941
P R 150016Z DEC 73
FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA PRIORITY
AMEMBASSY KINGSTON PRIORITY
AMEMBASSY LONDON PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY LAGOS PRIORITY
AMCONSUL CURACAO PRIORITY
AMEMBASSY THE HAGUE PIORITY
INFO AMCONSUL LOURENCO MARQUES
AMCONSUL MARTINIQUE
USMISSION OECD PARIS
USMISSION EC BRUSSELS
AMEMBASSY BONN PRIORITY
AMEMBASSY ROME PRIORITY
AMEMBASSY MEXICO PRIORITY
AMEMBASSY NASSAU PRIORITY
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AMEMBASSY NEW DELHI PRIORITY

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AMEMBASSY SINGAPORE PRIORITY
AMEMBASSY QUITO PRIORITY
AMEMBASSY BRASILIA PRIORITY
AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY VIENNA PRIORITY
AMEMBASSY CANBERRA PRIORITY
USINT CAIRO PRIORITY
AMEMBASSY LIBREVILLE PRIORITY
AMEMBASSY PRETORIA PRIORITY
AMEMBASSY JIDDA PRIORITY
AMEMBASSY PANAMA PRIORITY
AMEMBASSY LISBON PRIORITY
AMEMBASSY CARACAS PRIORITY
AMEMBASSY LIMA PRIORITY
AMEMBASSY WARSAW PRIORITY
AMEMBASSY MADRID PRIORITY
AMEMBASSY ATHENS PRIORITY
AMEMBASSY MANILA PRIORITY
AMEMBASSY BERN PRIORITY
AMEMBASSY WELLINGTON PRIORITY
AMEMBASSY GUATEMALA PRIORITY
AMEMBASSY SANTIAGO PRIORITY
AMEMBASSY COPENHAGEN PRIORITY
AMEMBASSY BUENOS AIRES PRIORITY
AMEMBASSY TEGUCIGALPA PRIORITY
AMEMBASSY STOCKHOLM PRIORITY
AMEMBASSY TEL AVIV PRIORITY
AMEMBASSY DUBLIN PRIORITY
USINT ALGIERS PRIORITY
AMEMBASSY HELSINKI PRIORITY
AMEMBASSY BRIDGETOWN PRIORITY

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E.O. 11652 GDS
TAGS: ENRG
SUBJECT: EXPORT CONTROLS ON PETROLEUM PRODUCTS
REF: (A) STATE 245191
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(B) STATE 245192

THE HAGUE FOR DEPUTY ASSISTANT SECRETARY KATZ

1. REF (A) CONTAINS TEXT OF COMMERCE PRESS RELEASE ISSUED DEC. 13, ANNOUNCING PUBLICATION IN FEDERAL REGISTER OF AMENDMENT TO EXPORT ADMINISTRATION ACT CONTAINING PROVISIONS THAT WOULD LIMIT EXPORTS OF CRUDE OIL AND

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PETROLEUM PRODUCTS AND ENSURE THAT THEY DO NOT RISE SHARPLY DURING CURRENT ENERGY CRISIS. REF (B) CONTAINS TEXT OF REGULATIONS FROM DEC. 13, 1973 FEDERAL REGISTER. IT SHOULD BE NOTED THAT REQUIREMENT FOR EXPORT LICENSES WAS EFFECTIVE DEC. 14, 1973. IN GENERAL, LICENSES WILL BE ISSUED FOR ALL PRODUCTS COVERED EXCEPT CRUDE OIL DURING REST OF 1973 ONLY ON BASIS OF EXISTING CONTRACTS. QUANTITIES SO LICENSED MAY BE CHARGED AGAINST ALLOCATIONS ESTABLISHED FOR 1974. FYI: THESE PROVISIONS DESIGNED TO PREVENT RISE IN SHIPMENTS DURING REST OF YEAR WHICH WOULD FRUSTRATE EFFORTS TO CONTROL EXPORTS. END FYI. MOST CRUDE OIL EXPORTS APPEAR TO BE EMBARGOED BY PROVISION OF ALASKAN PIPELINE ACT (NOVEMBER 1973) UNLESS PRESIDENTIAL WAIVER OBTAINED BASED ON SHOWING THAT CONTINUATION OF

EXPORTS WOULD BE IN NATIONAL INTEREST AND WOULD NOT REDUCE QUANTITY OR QUALITY OF SUPPLY OF DOMESTIC PETROLEUM.

2. ACCORDING TO COMMERCE DEPARTMENT DATA, COUNTRIES TO WHICH ADDRESSEE POSTS ACCREDITED HAVE IMPORTED AT LEAST SOME QUANTITY OF PETROLEUM PRODUCTS ON WHICH ALLOCATIONS WILL BE ESTABLISHED FOR CALENDAR YEAR 1974. U.S. EXPORTERS ARE BEING ASKED TO SUBMIT INFORMATION (SEPARATELY FOR EACH FOREIGN COUNTRY OF DESTINATION) ON THE QUANTITIES OF EACH PETROLEUM COMMODITY WHICH THE EXPORTER EXPORTED TO EACH SUCH COUNTRY DURING EACH MONTH OF 1971, 1972 AND FIRST SIX MONTHS OF 1973. COMMODITIES CONCERNED ARE LISTED IN SUPPLEMENT NO. 1 CONTAINED REF (B). PURPOSE OF INCLUDING 1971 AND 1973 DATA IS TO PROVIDE BASIS FOR ENSURING THAT CHOICE OF 1972 FIGURES FOR ESTABLISHING LIMITED OFFICIAL USE

BASE PERIOD FOR ALLOCATIONS WOULD NOT RESULT IN SERIOUS INEQUITIES, SINCE EXPORTS OF CERTAIN COMMODITIES IN 1972 WERE SIGNIFICANTLY LESS THAN IN OTHER TWO YEARS. FYI: 1972 IS BEING USED AS BASE YEAR FOR U.S. DOMESTIC ALLOCATION PROGRAM.

3. ADDRESSEE POSTS SHOULD INFORM APPROPRIATE HOST GOVERNMENT OFFICIALS OF OUR INTENTION TO ESTABLISH EXPORT CONTROLS, AS REQUIRED BY EMERGENCY PETROLEUM ALLOCATION ACT, ON CERTAIN PETROLEUM PRODUCTS WHICH HAVE BEEN FOUND TO BE IN SHORT SUPPLY IN U.S. OUR INTENTION IS TO SET 1974 ALLOCATIONS AT FULL LEVEL OF 1972 EXPORTS. HOWEVER, WE ARE FLEXIBLE AND WILLING TO CONSULT WITH TRADITIONAL TRADING PARTNERS IF THE 1972 BASE PERIOD CREATES SPECIAL DIFFICULTIES

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FOR THEM. FYI: WE ARE NOT PREPARED TO DISCUSS WHETHER CONTROLS SHOULD BE ESTABLISHED NOR PRODUCTS WHICH WILL BE SUBJECT TO EXPORT ALLOCATIONS, SINCE THESE DECISIONS ALREADY MADE BY CONGRESS AND FEDERAL ENERGY ADMINISTRATION. END FYI. POSTS SHOULD ENCOURAGE HOST GOVERNMENTS TO CONVEY THEIR COMMENTS TO DEPARTMENT AS SOON AS POSSIBLE (BY DECEMBER 21 AT LATEST) EITHER THROUGH EMBASSY OR THROUGH THEIR REPRESENTATIVES IN WASHINGTON. EMBASSIES OF CANADA, JAPAN AND MEXICO HAVE ALREADY BEEN ADVISED BY US, SINCE LARGE MAJORITY U.S. EXPORTS TO BE PLACED UNDER ALLOCATION IN 1974 GO TO THESE COUNTRIES. PROMPT ACTION ON THIS MATTER IS ESSENTIAL FOR CONSULTATIONS TO BE EFFECTIVE, SINCE SECRETARY OF COMMERCE PLANS TO ANNOUNCE 1974 ALLOCATION LEVELS BY JANUARY 1, 1974 AND DECISIONS WILL HAVE TO BE MADE BEFORE THAT DURING BUSY HOLIDAY PERIOD.

4. POSTS SHOULD EMPHASIZE IN THEIR PRESENTATIONS THAT 13 COMMODITIES TO BE PLACED UNDER QUOTA RESTRICTIONS IN 1974 CONSTITUTE ONLY 28 PERCENT OF TOTAL U.S. EXPORTS IN FIRST TEN MONTHS OF THE YEAR (71,446 B/D COMPARED TO TOTAL U.S. EXPORTS OF CRUDE OIL AND REFINED PETROLEUM PRODUCTS OF 254,427 B/D). QUANTITIES AFFECTED ARE THUS VERY SMALL, AND BALANCE OF EXPORTS (72 PERCENT) WILL ONLY BE SUBJECT TO LIMITED OFFICIAL USE

MONITORING. HOWEVER, EXPORT PROGRAM IS TAILORED TO DOMESTIC ALLOCATIONS, AND SHOULD OTHER COMMODITIES NOW ONLY SUBJECT TO MONITORING BE ALLOCATED DOMESTICALLY, EXPORT LIMITATIONS WOULD ALSO HAVE TO BE IMPOSED ON THEM. POSTS MAY WISH TO REVIEW EXPORT DATA FOR HOST COUNTRIES CONTAINED IN CENSUS BUREAU PUBLICATION ON U.S. EXPORTS (FT 410).

5. FOR OTTAWA: REPORTS THAT CANADA EXEMPT FROM CONTROLS ARE NOT CORRECT. CANADA IS SIGNIFICANT IMPORTER OF SEVERAL COMMODITIES TO BE PLACED UNDER ALLOCATION, ON SOME OF WHICH IMPORT LEVELS HAVE VARIED CONSIDERABLYIN 1971-73 PERIOD. GOC MAY WISH CONSIDER SENDING TEAM TO WASHINGTON.

6. FOR MEXICO CITY: SAME IS TRUE FOR GOM.

7. FOR TOKYO: JAPANESE IMPORTS OF LNG FROM ALASKA WILL NOT REPEAT NOT BE AFFECTED BY CONTROLS. HOWEVER, PROVISIONS OF ALASKAN PIPELINE ACT PLACE EMBARGO ON EXPORTS OF DOMESTIC CRUDE. UNLESS PRESIDENTIAL WAIVER OBTAINED, THIS MAY RESULT IN CESSATION OF

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EXPORTS TO JAPAN OF HEAVY CALIFORNIA CRUDE FROM COALINGA FIELD WHICH WE UNDERSTAND IS MOSTLY REFINED INTO TRANSFORMER OILS. EMBASSY SHOULD BRING THIS PROBLEM TO GOJ ATTENTION AND ASCERTAIN WHETHER JAPANESE IMPORTS OF THIS CRUDE CAN BE EASILY REPLACED. AMOUNTS INVOLVED ARE MINIMAL, 628,000 BBLS IN 1971, 390,000 BBLS IN 1972 AND 525,000 BBLS THROUGH OCTOBER 1973. FYI: WE TOOK OPPORTUNITY OF TOYONAGA (MITI) AND JAPANESE EMBASSY OFFICIALS MEETING WITH BENNSKY (EB/FSE) TODAY TO BRIEF HIM ON THIS MATTER AND PARTICULAR PROBLEM WITH CALIFORNIA CRUDE EXPORTS. TOYONAGA INDICATED HE WOULD CALL HIS MINISTRY IN TOKYO TO INFORM THEM OF PROBLEM.

8. FOR SINGAPORE: YOU MAY INFORM GOS AT YOUR DISCRETION. RUSH

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